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ABSTRACT

This report focuses on the methodology and content of a distance education course on strategic financial management organized by the International Institute for Educational Planning from May to July 1999 for 15 universities in Southern Africa. Between three and five staff members participated at each of the universities. The course used written support material, individual work on task, group work, feedback from the course instructors, and interactive electronic exchanges (e-exchanges) among participating universities as the basic elements of its instructional methods. Communication was organized through e-mail over the Internet. According to the comprehensive evaluation of the course, the key objective of institutional capacity building was met successfully. The course also demonstrated that one advantage of distance education is that it makes training available in a more flexible mode to a larger number of participants. Appendixes contain a list of participants and the course calendar. (SLD)

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IIEP research and studies programme

Improving the managerial effectiveness of higher education institutions

Strategic financial management in Southern African universities

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Working document

Strategic financial management in Southern African universities

Report of an IIEP distance education course,
4 May – 31 July 1998

Michaela Martin
(Co-ordinator of the course)
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John Hall
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Paris 1999

UNESCO: International Institute for Educational Planning

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Preface

IIEP regularly offers traditional face-to-face training programmes in various areas of educational planning. However, in spite of the steady growth in numbers of participants in the training programmes, demand in recent years has often exceeded the capacity of the Institute to provide traditional courses. In addition, one of the problems of face-to-face programmes is that participants must absent themselves from their offices and responsibilities for the duration of the courses.

The preparation of training materials in a modular format is part of the Institute's response to this situation. Organizing training activities through the distance education mode, using some of the new communications technologies, is another strategy to respond to this growing demand for training in educational planning and management.

The course held in 1998 for countries in Southern Africa on *Strategic Financial Management in Higher Education Institutions* was one of a new series of IIEP pilot courses delivered in distance education mode. This course was designed in response to the growing preoccupation of UNESCO Member States with the need to improve the managerial effectiveness of higher education institutions. It was thus designed with the specific objective of strengthening institutional, rather than individual capacity in financial management and targeted senior and middle-level financial managers with related responsibilities.

The basic materials that were used in the course had already been fully tested and validated in several traditional training courses in the various regions of the world. However, a completely new instructional design was developed to accommodate the needs of the distance education method of delivery. For the main method of interactive communication between IIEP

and the participants in the universities, electronic mail (e-mail) was chosen since this was available in all the institutions. Given the speed of e-mail messages, it enabled the course team to be in regular and continuous contact with the course participants throughout the course; it also allowed participants in the different institutions (often hundreds of miles apart) to keep in contact with each other.

According to the comprehensive evaluation of the course, the key objective of institutional capacity building was met successfully. This course also demonstrated that one of the undeniable advantages of the distance education delivery system is that IIEP is able to make training available in a more flexible mode (the participants remain in their institutions) and to a larger number of participants, whilst retaining very positive pedagogical results.

The outcome of this pilot course clearly points to the possibility, in the near future, of IIEP delivering courses through virtual training on a regular basis in order to meet the growing demand from UNESCO Member States for the Institute's assistance in strengthening their national capacities.

Jacques Hallak
Assistant Director-General, UNESCO
Director, IIEP

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1. Introduction

1.1 The IIEP programme on increasing the managerial effectiveness of higher education institutions

Higher education systems worldwide are currently faced with a number of challenges:

- many governments are seeking to reduce public expenditure on higher education, normally the most costly level of education;
- institutions are faced with an increasing demand for places, as well as demands for new offerings and flexible delivery methods;
- it is difficult to recruit and retain highly qualified staff;
- physical facilities are often inadequately maintained;
- graduate unemployment or underemployment is increasing;
- there is concern about the quality of higher education.

In general, governments are demanding greater efficiency, effectiveness and accountability in the management of higher education institutions. This situation places new and increasingly heavy demands upon institutions, and particularly upon the management function, as they try to respond to diverse forces in the current and anticipated environment.

In developing countries, universities have found themselves faced with rapidly changing socio-economic conditions and limited access to information on international experiences that could serve to inform discussion and debate with ideas and approaches from other institutions and countries.

In this context, IIEP undertook a research project during the period of its 'Medium Term Plan, 1989-1994' on *Improving the managerial effectiveness of higher education institutions*. An information base was created between 1990 and 1994, with publications reviewed back to 1987. Additional information was collected from case studies, conferences and meetings and informal discussions.

The study was completed in 1994, and there have been several products. The first was a publication entitled, *Innovations in University Management*, written by the director of the project, Bikas C. Sanyal. Second, several workshops and short courses have been organized in different regions of the world. Finally, IIEP has made the outcomes of this research and training activities available in a set of training materials and, subsequently, through the organization of training courses in a distance education mode.

1.2 Course rationale

The challenge to the university within current constraints is to create the educational environment, develop innovative and useful programmes and implement organizational structures and administrative policies which foster student, faculty and community development. In this context, it is recognized that the efficient and effective management of the university is an extremely important issue and that managerial training is a necessity for those who, in their various academic and administrative roles, initiate, encourage, review and otherwise influence the performance of their institutions.

In the context of these challenges, it is essential to strengthen management capacity within the university. Professionals and academic leaders in institutional management need the attitudes, skills and expertise to provide high-quality education in changing social and economic circumstances. However, research indicates that the ability of traditional training programmes to foster the transfer of new knowledge into practice has been much more limited than might have been predicted, given the high expectations and the commitment of time and financial resources.

While intensive training may enhance the skills of the individual, the impact on the organization as a whole may be minimal. There are several interrelated reasons why this may be so:

- the lack of a shared vision within the institution;
- the tendency for professionals in the university to work independently rather than as a cohesive team;
- the absence of support from senior administrative leaders to make improvements;
- the presence of an under-trained middle management;
- the failure of the institution to understand and/or appreciate what new knowledge and expertise becomes available as a result of training;
- the failure of the training initiatives to structure the curriculum and approaches to learning in ways which address and strengthen the relationship between the individual and the university; and
- the lack of available time for a person to initiate a process of change that is institution wide.

1.3 Purpose and objectives of this distance education course

The primary objective of the IIEP distance education initiative on strategic financial management was to devise a training approach that would enhance the skills of the individual participants, but also maximize the impact on the institution by building broader management capacity through the participation of a team of participants from each institution. Distance education was chosen as a delivery method because it offers several advantages – it allows a number of persons to participate from one institution without prohibitive cost, and it allows the participants to work in their own environment with ready access to documents and information. By working in a team, it was hoped that staff members with similar areas of responsibility would have the chance to work on a neutral task outside the political environment of their institution. They would have the opportunity to reflect and work on problems together while being informed of international trends,

common problems faced by universities and some of the solutions devised. In addition to the international perspective, they would have an opportunity to meet in a virtual sense and exchange information with participants in other institutions in their own region.

The distance education course on strategic financial management was intended to assist senior managers and other professionals involved in higher education to identify strategies to improve financial management practices in their institutions.

The more detailed objectives of the course were:

- to present the current trends and problems in the area of financial management in higher education;
- to present selected planning and management concepts and techniques aimed at a better utilization of the existing financial resources;
- to provide a range of international experiences as specific examples of financial management problems and solutions;
- to identify strategies for improved financial management in the institutions as a whole.

The modules were prepared to provide background information for reflection and debate on the topic of higher education and to sensitize the participants in the course to the issues and techniques associated with financial management in higher education institutions. In addition, the modules describe current trends and a number of international experiences.

1.4 Course format

Organizing this course in a distance education format combines the advantages of a traditional face-to-face workshop, that is, interaction among professionals, with the flexibility of time and space of independent study. In the distance education format of this course, independent study was supported by group-work at the institutional level.

In addition, the IIEP course team provided guidance through:

- the pacing of work based upon a clearly established calendar of activities;
- regular interaction and feedback on the tasks and exercises.

It should be noted that the distance education approach proved to be an ideal tool for institution building. In most workshop settings there is normally one participant per institution. This limits the impact of training at the institutional level. On the contrary, the distance education format facilitates the participation of a group of individuals from the institution and gives them the opportunity to work together in a structured learning environment and benefit from the experience as a group. The format of the course was intended to promote effective institutional change.

The design of this course was based on a combination of the following three learning techniques:

- independent study of materials and individual reflection on questions and exercises;
- scheduled group sessions to discuss individual responses and to prepare a group response;
- interaction with the IIEP course team and with other participating institutions (through an online debate and a round-table discussion using e-mail).

The rationale for the above-mentioned format was to stimulate independent reflection, group interaction at the institutional level, and the sharing of experiences with colleagues in other institutions.

1.5 Content of the learning materials

Effective financial management has become extremely important in the context of a changing socio-economic environment. Higher education

institutions face increasing and changing demands combined with decreasing resources.

The issues dealt with in the four modules are briefly described below:

Module 1. Institutional management in higher education: issues, trends and international experiences

- the university as an organization, and its decision-making processes;
- the changing context of the university;
- institutional management concepts and techniques and changes in management practices;
- performance indicators;
- trends and international experiences.

Module 2. Financial management in higher education: issues and approaches

- the context of university financial management;
- financial management functions;
- the financial management cycle;
- performance indicators related to financial management;
- income generation.

Module 3. Financial management in higher education: trends and international experiences

- trends in financial management;
- institutional financial management in systems under self-regulation and accountability;
- institutional financial management in systems in the process of transition;
- institutional financial management in systems under self-regulation in difficulty;
- institutional financial management in systems under centralized planning and control;
- strategies for financial management.

Module 4. Financial management in higher education: exercises

- manual exercises;
- scenario-building using a computer simulation model.

1.6 Interaction by e-mail

For its interactive complement, the course relied entirely on the exchange of information and comments by e-mail. Given the speed of e-mail messages, it allowed the course team to be in regular and continuous contact with the course participants throughout the course.

Participants received regular and frequent messages on the course procedures and content. Reminders of the tasks to be undertaken and the dates that institutional responses were due were sent to individuals. A course hotline was set up to reply to questions, whether in relation to the content or concerning technical problems.

1.7 Communication support

In designing the interactive aspect of the course, the most simple approach was selected. All interaction took place through e-mail messages to one IIEP address. There were frequent short messages sent to participants to give the impression of continuous contact and interaction with the IIEP course team.

Well in advance of the formal start of the course, the communications-related information submitted by each institution was reviewed for potential problems and the communications capability tested through the sending of several trial messages.

This step was essential in order to identify any potential problems before the course began to function so that participants would be unlikely to face aggravating communication problems that would disrupt their ease in following the course. There is always the potential for disruption of electronic support; however, every effort was made to ensure that this was minimized.

Since e-mail interaction is so immediate, there can be a high level of frustration when communications break down.

1.8 The participants

Twenty institutions were initially informed of the course, of which fifteen stated their desire to participate. They represented ten countries: *Botswana* (University of Botswana), *Mozambique* (University Eduardo Mondlane), *Lesotho* (National University of Lesotho), *Malawi* (University of Malawi), *Mauritius* (University of Mauritius), *Namibia* (University of Namibia), *South Africa* (University of the Orange Free State, University of the Western Cape, University of the Witwatersrand, University of the North, Technikon Pretoria, Technikon Peninsula), *Swaziland* (University of Swaziland), *Zambia* (University of Zambia) and *Zimbabwe* (University of Zimbabwe). There were between three and five participants in each institution who worked together as a team, with one member being identified as course co-ordinator. The most important task of the group co-ordinator was to keep participants on schedule and make sure that group answers were sent to the IIEP not later than the indicated deadlines.

The individual participants represented a range of functions in the institutions – for example, Deputy Vice-Chancellor for Finance and Administration, Bursar, Registrar, Finance Officer, Accountant, Head of Remuneration and Benefits Policies, Strategic Planning Officer. A list of the participants is included in *Appendix 1*.

2. Course content and assignments

2.1 Introductory phase: getting to know each other in an initial round table

The course started with an introductory phase (see calendar in *Appendix 2*). The objective of this phase was to acquaint participants with other institutions, with a view to developing some joint knowledge on each other's procedures and problems in financial management.

The following synthesis of some issues addressed in the papers was prepared on the basis of individual contributions.[1]

1. Participating institutions represent in fact a wide variety in terms of numbers of students and staff, the focus of study programmes, traditional student clientele, and type of research activities. This variety reflects of course the broader country context and the particular mission that each institution has developed with regard to this context.
2. It is interesting to see that most institutions have now embarked on some kind of strategic planning and that strategic planning seems to provide a framework for financial management decisions. This was reported from Botswana, Mauritius, Namibia, University of the North, Orange Free State, Technikon Peninsula, Eduardo Mondlane, Western Cape and others.
3. With regard to the sources of income, most institutions mention their dependence on a government subsidy. Generally, the government subvention accounts for 70 to 80 per cent of the total income. However, the institutions in South Africa seem to be a little less dependent on government sources – they receive about 60 per cent from government sources. They mention that the government subsidy up until the mid-1980s accounted for 80 per cent of declared needs (the remaining 20 per cent was supposed to be raised by the institutions), but that nowadays higher education institutions receive only an ever-decreasing portion of this 80 per cent (Orange Free State, Western Cape).

[1] In this Report, all text appearing in shaded boxes has been taken from actual course material.

4. Technikon Peninsula raises the point that there might be a change in the way the government subsidy will be determined in the future. They expect a change from institution funding to programme funding. Similarly to a British Government initiative in the early 1990s, the South African Government envisages to invite institutions to put forward a bid for the funding of programmes. Student places would then be approved at a given institution at an agreed funding level. If this is the case, institutions will have to develop a basis for the calculation of full costs of their training by year of programme. This requires the existence of a methodology allowing the allocation of all direct and indirect costs (i.e. academic and support staff, other recurrent expenditure, etc.) to a given study programme level, and in particular the separation of costs for teaching and research.

5. Almost all institutions mention their willingness (or specific initiatives) with regard to the generation of extra-budgetary sources (i.e. commercial activities, fund raising, continuing education, services and contract research, etc.). Such sources may represent important amounts in the budgets put forward by institutions. At the University of the Witwatersrand (one of the most dynamic institutions of the group in this respect), 4.5 per cent of the total budget is generated this way and another 4.5 per cent through grants and donations.

6. Regarding problems in the area of financial management, institutions have highlighted the following.

(a) Government subsidy:

- over-dependence on an insufficient and declining government subsidy and necessity to develop alternative sources (Botswana, Malawi, Swaziland, Zambia, Orange Free State);
- problems with the funding formula based on FTE in allocating staffing positions (Botswana).

(b) Other income:

- difficulties in recovering student fees (University of the North, Technikon Pretoria, Witwatersrand, Western Cape);
- impossibility to consider an increase in student fees due to policy (Mauritius) or to economic constraints, such as a predominantly disadvantaged student clientele (Swaziland, University of the North);
- legal constraints to charge economic fees for services (Zambia);

- external funding (such as donor support) not taken into account at the university's resource allocation model (Witwatersrand, Eduardo Mondlane).

(c) *Use of resources:*

- inefficient use of resources, such as too high student/staff ratios (Zambia, Western Cape);
- proliferation of stock holding on campus that ties up resources in dead or obsolete stocks (Witwatersrand);
- inefficient procurement practices (Witwatersrand).

(d) *Structure for financial management:*

- shortage of skilled manpower for financial management (Namibia, Lesotho);
- absence of an internal Audit Department, as a structure for fraud control (Namibia);
- limited accountability of faculties, departments and sections for financial success or failure (Technikon Pretoria);
- inadequate communication and lack of a shared vision between financial and academic management (Technikon Pretoria);
- unintegrated financial accounting and reporting systems unable to support the management of increasing complexity and major shifts in activities (Technikon Pretoria);
- differences in interpretation of financial results and slow reaction by top management to financial indicators (Technikon Pretoria);
- departments run their own financial packages in parallel with the General Ledger, resulting in duplication of systems since the account key in the General Ledger is rigid and not structured in a way suited to providing suitable management information (Witwatersrand);
- lack of co-ordination of debtor exposure and inefficient credit control practices make it difficult to get an overall picture of debtor exposure with corporate fees, university loans, financial aid (Witwatersrand);
- budgeting procedures occur late due to the lack of supporting information. Budgeting is centralized and historically based rather than activity-based or zero-based (Witwatersrand);
- the audit of the Financial Statements has always been qualified due to the differences between amounts recorded in the asset register and corresponding figures in the General Ledger (Witwatersrand).

(e) Other:

- drop in student numbers has a negative effect on income from state subsidy and tuition fees (Western Cape);
- overall budgetary deficit of R 16 million (US$ 3.16 million) in 1998 (Western Cape).

7. Institutions have pointed out a number of interesting innovations currently discussed or already put in place in their financial management.

(a) Income-generating activities:

- fund-raising campaign for the building of the Institute of Distance Education and of staff offices and classrooms for the Faculty of Commerce (Swaziland);
- creation of an external interface such as a Trust or a Foundation for the generation and management of income-generating activities (existing at Witwatersrand and Western Cape, envisaged at Zambia and Eduardo Mondlane).

(b) Cost reduction:

- privatization of non-instructional activities (services, e.g. accommodation and feeding) (Malawi, Technikon Pretoria);
- improving student/staff ratios (Namibia, Zambia);
- reduction of administrative overheads through the merging of faculties (Orange Free State);
- move under way to review and dispose of unnecessary stock holding on campus. Direct supply to departments is negotiated with suppliers (Witwatersrand);
- procurement practices: the university is considering ways in which the number of suppliers can be reduced while at the same time using technical innovations (e.g. credit cards) to retain the current level of flexibility (Witwatersrand).

(c) Organizational changes:

- appointment of an Internal Auditor and Accountant (Mauritius) and creation of a new office of accounting (Eduardo Mondlane);

- additional training of staff (Lesotho);
- decentralization of budgets for supplies, services, equipment and staff to faculties (Lesotho, Orange Free State, Technikon Pretoria, Witwatersrand);
- change to interactive budgeting process with increased responsibility devolved to department managers (Technikon Pretoria);
- restructuring of debt collection department with accent on regular telephone contact with students (Technikon Pretoria);
- fee statements: a project is under way to review the system of recovery of fees to make it more streamlined (Witwatersrand);
- exposure to risk: policies have been instituted which require departments to bear high excess if goods are stolen (Witwatersrand).

(d) Management information systems:

- computerization of financial management (Swaziland, Lesotho, Eduardo Mondlane);
- pilot project aiming at the extraction of management information from the General Ledger and to structure it in such a way that it is easy to access and manipulate (Witwatersrand);
- development of detailed costing model to indicate financial result of academic department (Technikon Pretoria);
- decision to implement an integrated financial and academic support software (Technikon Pretoria);
- self-assessment and feedback process instituted to ensure that financial support services remain aligned with the needs of core users (Technikon Pretoria);
- restructuring of internal communication, development of efficient Data Warehouse/ MIS and upgrading of local networks and Intranet (Technikon Pretoria);
- fixed-asset recording – systems and procedures related to the tracking of assets have been implemented (Witwatersrand).

2.2 Module 1. Institutional management in higher education: issues, trends and international experiences

Work on Module 1 was concerned with acquainting participants with some general features of the university as an organization, current changes in the environment of higher education institutions and changing concepts of higher education management. They were then invited to reflect on *(i)* their own organizational structure and decision-making process, *(ii)* changes that they currently face in their environment and how they affect financial management processes and functions, and *(iii)* the linkage that exists in their institution between strategic planning and financial management.

Question 1: Features of organizational structures and decision-making process

1. Nearly all groups of participants have emphasized that the collegial and collective system of decision-making prevails at their institutions, in particular in the academic domain. In the discussion of the advantages and disadvantages, it appears that the negative aspects of this system are well perceived, but that altogether the positive aspects, such as increasing the acceptability and preparing implementation of decisions, seem at present to outweigh the negative ones.

2. Also, several institutions (e.g. University of Botswana, University of Lesotho) mention that the academic and the administrative sphere follow different patterns of decision-making. The academic sphere tends to be more collegial, whereas the administrative sphere is more bureaucratic. Most often administrative follows academic decision-making, but sometimes the dichotomy creates a communication gap between both spheres, leading to delays in the implementation of decisions. An improved communication between academics and administrators and an early involvement of both in the decision-making process would be advisable.

3. Most institutions emphasize also the decentralized nature of their institution, with much authority vested at the basic unit level. This corresponds to what is described in Module 1 as the 'bottom heavy' nature of higher education institutions, with a high degree of authority given to the professionals. At the same time, many institutions mention also that matters discussed at the departmental or faculty level have to move up through the hierarchy to Council or Senate (or their committees), which have the final word. This is in particular the case with regard to the recruitment of new academic staff and the internal allocation of the budget.

4. In particular, the South African institutions mention that in the past they had a strong executive leadership. This corresponds to the American distribution of authority among the different layers of the higher education system. This mode concentrates much power both at the central institutional level (for managerial aspects) and at the basic unit level (for academic aspects). The weakest level is the one constituted by the public authorities (i.e. Ministry or buffer organization). The ongoing transformation process in South Africa obliges institutions to move towards more collective decision-making, at least in the area of broad institutional policies. All institutions have therefore created so-called transformation forums whose objective is to reach consensus on broad policy issues such as access.

5. In several institutions there also exists nowadays a trend towards more internal decentralization of administrative authority to basic units (North, Orange Free State, Witwatersrand, Zambia). At the University of Witwatersrand, the appointment of staff up to the level of senior lecturer and the management of allocated budgets is a matter of faculty decision. The University of Zambia has empowered Deans and Directors of Schools to place money generated through commercial activities in bank accounts and to use these resources as they decide. However, decentralization of decision-making also poses many problems. There may be conflict of competences between staff at decentralized level and central level and middle managers might not be fully 'empowered', as mentioned by the University of Witwatersrand. The University of Malawi, on the other hand, stipulates that centralized financial management poses problems such as tensions between the departments and the central administration in the case of overspent budgets. Devolved budgeting is suggested there as the solution. To sum up, devolved budgeting is possible only if timely financial information is available to basic units such as delivered through an automated, financial management package. Also, there is need for professional financial managers at the basic unit level who prepare and communicate financial information to middle-level decision-makers such as deans and directors. The University of Zambia, for instance, has seconded financial managers from the Bursar's Office to Schools and Units.

6. Nearly all institutions mention that they perceive themselves as belonging to the category of self-regulated institutions, with a high level of academic and administrative autonomy given to the institution. In general, institutions receive a grant from government (the amount is often relatively unpredictable), but they are free to allocate this money internally. There exists, however, a trend of growing state interference into the 'private life' of universities. In South Africa, this trend is quite noticeable with the

adoption of the Higher Education Act of 1997, the call for quality control and the changes that might occur in the mode of funding (programme-linked funding).

7. Several institutions (and in particular the Technikons) have mentioned that they have adopted, at least for a part of their activities, a business-like approach. That means that they are moving, or foresee to move, in the direction of the entrepreneurial university. In one case, the Technikon Pretoria, this was mentioned to be the case for the entire institution. However, in most cases the entrepreneurial approach is mentioned to be used mainly for interface structures, such as Consultancy Centres or Foundations which are specifically set up to market the products of the university.

8. The overall trend, as a consequence of the above-mentioned, is one towards an internal hybridization of decision-making models, with a dominance of the collegial one, but with increasing elements also of the bureaucratic and the entrepreneurial models.

Question 2: Changes in the environment

1. All institutions mention that they are currently confronted with major changes in their environments, such as economic, societal and political change (in particular in South Africa), overall economic difficulties, and transition from state-dominated to market economy (in several countries). The situation has been better in Mauritius, where the economy has been growing at the highest rate in the region. In nearly all other countries, the economic prospects are, however, somewhat bleak.

2. Nearly all institutions face a growing uncertainty over government core funding or the certainty that this funding will be diminished. This trend is coupled with increasingly diverse student clienteles (in particular in South Africa where traditionally disadvantaged African students have to be incorporated to a larger extent in the overall student body). The National University of Lesotho is currently experiencing an increase in part-time students. This is perceived as a strength since it allows the university to generate supplementary income.

3. Several institutions mention also a change in the government steering policy (for instance South African institutions, University of Zambia). In some cases governments tend to grant more administrative and financial autonomy. This takes place, however, in more clearly defined policy frameworks and with incentive structures often channelled through the funding process. In

the case of the University of Botswana, students studying programmes of science and technology will be granted a scholarship, whereas other students will receive a mixture of grant and loan. In South Africa, the government has clearly indicated its intention to influence the direction of higher education and to make more money available to student places in the area of science and technology. With regard to financing, it is expected that the proportion of earmarked funding in the overall budget will increase. Also, institutions will receive resources on the basis of student places by programme (University of the Witwatersrand).

4. At the same time, there is increasing demand for accountability everywhere. Institutions in some countries are nowadays requested to set up quality management systems and to be able to demonstrate, on an *a posteriori* basis, that their products (graduates, research and service outcomes) are of good quality. This seems to be more the case in diversified systems such as South Africa, where there is high potential to compare performance and costs among institutions. There, the Higher Education Act foresees the creation of the function of an Independent Assessor of Higher Education.

5. Institutions in systems with multiple institutions mention that there is also an increasing level of competition in the higher education market. Competitors are other public institutions of the same or similar nature (for instance Technikons in South Africa are now allowed to offer degree programmes), other tertiary, but lower-level providers at the certificate or diploma level (mentioned by Orange Free State), and of course other private institutions, many of which are mushrooming. It should be noted that there is also international competition for students among countries.

6. Several groups perceive these changes in the environment as threats to the survival of their institution as it exists now, others look at them also as opportunities for transformation. In general, it is clear that business as usual will not be possible and that major changes will have to be operated in the product structure as well as in institutional management. This is probably the reason why nearly all institutions have embarked on some kind of strategic management whose point of departure is a rethinking of the institutional mission or 'vision'.

7. Some institutions mention that they have taken proactive action, such as the merging of units to form viable decision-making groups (Technikon Pretoria) or the adoption of franchizing agreements with lower-level providers in the education market. As such, these institutions anticipate changes in governmental policies, the broader economic environment and the education market.

8. The development of Information and Communication Technology as a major change and opportunity for higher education establishments was mentioned by several institutions (Technikon Peninsula, Eduardo Mondlane University, University of Zambia, University of Namibia, National University of Lesotho). These technologies create important opportunities for a decentralized financial management and improved internal communication among the university community, in particular when campuses are spread over several locations. Also, several institutions mention that they intend to use these technologies for distance education delivery of their programmes or that they have embarked already on such programmes (for instance University of Mauritius, University of Swaziland). Distance higher education certainly offers major opportunities to respond to increasing social demand, to rethink and improve traditional programmes and to generate considerable income without facing the traditional bottlenecks of staff and facilities. However, one should keep in mind that start-up costs are high.

Question 3: Linkage between strategic planning and financial management

1. As mentioned above, nearly all institutions have embarked on strategic planning. Some are in a relatively early stage and have just adopted a first plan, whereas others have already gathered considerable experience in this respect. In South Africa, it seems that the new Higher Education Act of 1997 obliges institutions to prepare three-year rolling plans as well as a strategic plan.
2. Obviously, those institutions that have a long-standing experience with strategic planning indicate that there are well-established mechanisms linking the strategic planning process with financial management. This is not necessarily so, however, since often, as pointed out by Technikon Peninsula, the strategic planning process and the financial planning processes live in different worlds. This means that the strategic plan is not meaningful for the preparation of budgets and that budgetary requests are prepared on a historical basis, i.e. adjusted at the margin mainly for inflation.
3. Those institutions that indicate that they have a strong linkage between strategic planning and financial management mention that the draft budgets for the coming year are prepared by basic units taking into account strategic objectives. These budget requests are most often discussed and integrated at the central institutional level by a committee charged with overall financial planning and budgeting.

4. While it is essential that strategic initiatives are taken at the decentralized level (i.e. at the level of those in charge of implementation), it is important that there is also some leverage for initiatives at the central institutional level. Some institutions such as Witwatersrand or Technikon Peninsula keep a small amount of the overall budget at the discretion of the central management. Particular initiatives taken at the basic-unit level are financed on a project basis.

5. Finally, several institutions mention that they intend, as part of their strategic plans, to develop their commercial activities. This is also intended to create financial room for manœuvre for strategic initiatives, since most public budgets hardly leave any leverage for innovative or developmental activities. Institutions mention, however, their difficulties in finding such start-up capital. The next module of the course is designed to bring forward some practical advice, with information on how institutions have gone about this issue.

2.3 Module 2. Financial management in higher education: issues and approaches

Work on Module 2 was aimed at acquainting participants with the changing context of financial management and the new functions and procedures of financial management that have more recently evolved in this context. It offered participants an opportunity for an in-depth reflection on a new and increasingly important task of financial management, which is *income generation.*

2.3.1 On-line discussion on income-generating activities

As part of the work on Module 2, participants were invited to prepare a mini case study on one successful income-generation activity which they have launched at their institution. In particular, they had to describe the process of developing such an income-generation activity, its management structure, the basis for determining the price of the product offered by this structure, the amount of income generated, the way they distribute the surpluses generated and the use that is made of generated income. They

were also invited to comment on the problems they have encountered in the management of this activity, ways to overcome these problems and what they considered to be success factors in the development of income-generating activities. Four such case studies were chosen and they were sent to all participants for questions and comments to be made to the authors of these case studies. This allowed the organization of an online discussion aimed at an exchange of experiences among professionals.

In the following section, the four case studies chosen for the online discussion will be presented. The first case that was sent out for discussion was prepared by the University of the Witwatersrand. This case was chosen because it represents an effort to co-ordinate existing income-generating activities of the university. The case shows also an interesting innovation, which is the mobilization of alumni to prevent excessive managerial costs. The case was also chosen because the design and implementation of the programme was thought to give useful suggestions for other universities to consider.

2.3.2 Income generation at the University of the Witwatersrand

Question 1

The University of the Witwatersrand has recently established an Income-Generation Programme; this response will address that activity. It is worth noting however that a number of other income-generating activities exist, namely:

- *University Foundation:* its task is to raise money from the corporate sector for various university activities. These activities include the funding of chairs and other positions, support of foundation courses, special entry programmes and research activities; salary supplements, etc.
- *Convocation:* the role of Convocation is to maintain links with alumni and encourage them to support the university in a variety of ways.
- *Centres for continuing education:* these exist within the faculties of Education and Engineering.
- *Contract research:* this is managed through the Research Office. The Research Office also manages research funding from statutory bodies, e.g. Foundation for Research Development, Medical Research Council, etc.

Development of an income-generation programme

Early in 1997 the university had to face a severe decline in its government funding. The response to this had three prongs: the first was to engage in a review of all activities that were not cost-effective; second, to resurrect a stalled strategic planning initiative; and third, to investigate the establishment of a pro-active income-generation activity. Council approved an investigation into the concept in May 1997. A small (four-person) task group, comprising both internal and external members, drew up a formal proposal recommending the establishment of the Income-Generation Programme (IGP). Council subsequently agreed to the establishment of the IGP provided that no university funds were expended on its running expenses. Funding was acquired from two sources: an interest-free loan of R900,000 (US$175,000) from a corporate foundation and a R800,000 (US$155,000) grant from the capital fund of a discontinued, externally funded Centre within the Business School.

Activities commenced with the appointment of an Executive Director, a Project Management Consultant and a secretary on 1 September 1997. Ten part-time consultant-researchers have been employed on a needs basis to investigate potential projects. The programme is expected to be financially self-sufficient in 2000.

Some of its accomplishments to date are:

- launched and/or assisted projects in eight of the nine faculties;
- assisted in the establishment of a university-owned limited liability company, which manages the income-generating activities of the Faculty of Health Sciences. The Dean of the Faculty of Health Sciences chairs the Board and a full-time Chief Executive has been appointed. Current projects encompass: clinical trials of pharmaceutical products; teaching and learning software on CD-Rom; computer software for medical research; group private practice;
- assisted in the appointment of Faculty Enterprise Development Managers in the Faculty of Law and in the Faculty of Earth Sciences.

The appointment of faculty enterprise development managers is currently being negotiated in two other faculties.

The literature indicates that many university IGPs have failed because management, professional and administrative costs required to build the programme has exceeded income. The Wits Professional Assistance Network (WITSPAN), launched on 9 May 1998, is designed to avoid this by drawing on the expertise and resources of Wits alumni in business and the professions to assist academics setting up projects. The first project under this initiative is the involvement of a private-sector expert

in the economics of tourism to assist in the development of eco-tourism on university-owned land (pre-historic hominid site). Private consultants are to be used to assist in the optimum use of archaeological and palaeontological holdings.

The initial task facing the IGP was to bring some order into existing activities, offer them support and to develop new activities.

Management structure

The IGP is managed by an Executive Director who happens to be an ex-Dean of the Faculty of Management; he reports to the Vice-Chancellor. An Advisory Committee of seven, chaired by the Vice-Chancellor, gives strategic direction. The Advisory Committee reports to the University Council.

Price determination

A full interest-bearing loan of R500,000 (US$97,000) was negotiated from the university to provide start-up funding for projects. All projects are to be treated as commercial ventures.

Income

University academic staff may request permission to undertake limited private work for gain. Involvement in university-approved IGP projects is not regarded as private work, but is recognized as work done for the university. Surpluses on each project are distributed between individuals participating in the project, the University Department and/or Faculty, general university funds and the IGP. The purpose of the programme is to generate additional income in order to assist the university in better accomplishing its core mission.

Question 2

No major problems were encountered in establishing the programme. In retrospect, it might have been advisable to expose the University Senate to the concept before its adoption by Council. No major ideological opposition has been encountered. Concern has been expressed on the impact on workloads: a workload model is under investigation. Once market concepts and the availability of services became known, projects appeared. Some success factors: a great deal of emphasis on communication; accessibility of the Executive Director and his staff; opening of the programme to academic, support and technical staff.

The second case chosen was the one prepared by the University of Malawi. It was chosen because the programme has proved to be successful in financial terms. The programme described handles a problem very common to many universities: contract research is carried out by individual staff members who use university facilities for carrying out the research, but who do not share the financial benefits with the university. Also, the university was able to convince donors, in spite of their initial resistance, to include an amount for direct overhead costs in total project cost, which was not the case earlier.

2.3.3 Income generation at the University of Malawi: a case study at the College of Medicine

The University of Malawi is currently engaged in several income-generating activities. One that has so far been successful is being undertaken by the College of Medicine. This income-generating initiative is on contract research.

Background

Initially, members of staff in the College of Medicine engaged in research without the institution knowing. Members of staff drew up project proposals which they directly sent to donors for sponsorship, without going through the college. The result was that the college did not know what was happening in the college in terms of research, and that there were no strict guidelines that the members of staff followed. This resulted in duplication of effort since, in some instances, two members of staff were found doing similar research without knowing that a colleague was doing the same. What was even worse was the fact that members of staff used college facilities for research without paying for the same. Since, with the passage of time, the government subvention to the college was declining annually in real terms, it became apparent that it was necessary to keep a tight check on how the subvention was being used. In the process it was found that members of staff were using college resources for the running of their research projects, while being fully funded by donors.

A need therefore arose to make sure that researchers paid for whatever facilities they used that belonged to the college. A decision was made to establish a College Research Committee whose major functions were:

- to assess research project proposals to make sure that they followed a set of guidelines established by the committee;
- to ensure that there was no duplication in the research projects being undertaken by members of staff;
- to enforce high standards for the research being undertaken in the college;
- to ensure that an overhead fee was paid to the college for any research projects that were being undertaken.

Organization

The major initial problem that cropped up was that members of staff were not happy to see the overhead fee being paid to the administration. It was therefore decided that the overhead should be split into four portions. The largest portion should go to the department to which the members of staff doing the research belonged, followed by the Research Committee, Administration and the Library, in that order. The total overhead that was going to be paid by the projects was going to be 10 per cent of the total value of the project. The sharing was therefore going to be as follows: Department – 4 per cent; Research Committee – 3 per cent; Administration – 2 per cent; Library – 1 per cent.

Members of staff accepted this arrangement because they felt that their department efforts were being better recognized.

Administration

The overhead would be paid to the Finance Office, which would in turn allocate the funds into the various accounts. It was agreed that the funds should be allocated to below-the-line accounts in order to make sure that this income should not be part of the recurrent budget income. The critical part of the whole process was the fact that no department was going to be allowed to unilaterally decide how to spend whatever income it would make. It was agreed that the college's paramount management should be the one to decide how the funds would be spent. The idea was that much as the departments that raised the money would be the ones to benefit more, the interests of the whole college should be taken care of when sharing the income. It was agreed that the best scenario is the one that allows the whole college to develop together. The 10 per cent level of overhead was arrived at after looking at how members of staff used college facilities for research and also to make sure that there would be a little more to augment the ever-dwindling government subvention.

Since the initiative started ten months ago the college has realized income to the tune of Malawi Kwacha 1,6000,000.00 (US$64,000).

It has been decided that this money should be used to construct a paying clinic which will be an investment that will permanently generate income for the college, which will later be used to supplement the government subvention. Since the members of staff are rewarded through the honorarium that is paid to them by the donors, it is felt that whatever excess income is generated should be used by the college.

Another problem that was encountered in the management of this activity was that some donors refused to include a 10 per cent overhead when they were funding some of the projects. They usually paid the overhead in kind by sending equipment to the departments. This is not very helpful because the college has no say in the overhead. The advice that would be given to professional colleagues is, that for an initiative like this to be successful, there is need to make sure that they instil a feeling of ownership of the income by the departments through perceived fairness in the sharing scheme. Members of staff are more willing to contribute to an initiative that will benefit their departments more. There is also need to set up a transparent management structure of the income, supported by a well-organized management information system that would be ready to provide information about the income to stakeholders. Efficiency and accountability are the major success factors for this type of initiative.

Conclusion

It should however be noted that the college's Research Committee is interfaced with the main University of Malawi Research Committee, in that all research done by the college is declared to the University of Malawi's Research Committee. It should also be noted that the initiative described here is only one of several at the college. The other income-generating initiatives that are being undertaken are consultancies, executive training, renting out of facilities, and general fund raising. The college is now considering employing both a full-time research co-ordinator and an accountant, who would concentrate all their efforts on improving the efficiency of the research function.

The third selected case put forward for discussion came from the University of the North, South Africa. The case shows the interesting feature that both the present and the former students are active partners in generating

income for the university. The Programme also demonstrates a special relationship between the university and the 'Trust', which merits special attention.

2.3.4 Income generation in the University of the North, South Africa

Question 1

Introduction

The University of the North has embarked on several income-generation projects such as research contracts, executive training, consultancy, conference facilities, partnership programmes and fund raising.

We will briefly explain the following fund-raising projects undertaken by the university over the last three or four years. We will then proceed to deal with the 'Student Financial Aid Trust' as a case study.

Other income-generating projects

The university has been unable to utilize its services for profit to the community. In most instances, individual academics have their personal consultancy companies which are not limited to the university.

Research contracts

There are a number of research partnerships with institutions abroad, particularly in the Netherlands, Australia and the USA. However, most of their projects are for capacity building and have thus not yet generated any extra revenue for the institution. All their costs go into running costs.

Conference facilities

The location of the university is not strategic for conferences and the letting of facilities for holiday accommodation. Institutions which are based in the major centres and those that are based in the coastal areas are better placed to utilize their resources for conferences and holiday accommodation. However, in the last two years the university has been used as a marking centre for the STD-10 end-of-year examinations. It thus generated a profit of approximately R4,000,000 (US$780,200 at today's rate).

Executive training

The university has established an 'EduPark' as a multi-purpose campus and the Graduate School of Leadership, whose primary purpose is to do the following:

- provide a centre for vocational and technical skills such as commercial studies, science and technology, hospitality and tourism, rural and urban development, communication and applied social science;
- School for Legal Practice;
- national community water and sanitation;
- Training institute (joint project with the Provincial government and NGOs);
- Sports Science institute;
- the Graduate School of Leadership will then offer different programmes such as M.Dev, MPA, MBA and NGO and CBO certificate and diplomas.

Fund raising

The University of the North has established two major fund-raising projects: the 'University Foundation' and the 'University of the North Student Financial Aid Trust'.

The 'University Foundation' was launched in April 1998 and it has established offices in Johannesburg (South Africa), at the University of the North and in New York (USA). The Foundation is managed by an independent board of directors composed of prominent members of the society and people from 'big business'.

The university has also established the 'Student Financial Aid Trust', whose board is composed of prominent people in society who are alumni of the university. We have therefore chosen the 'Student Financial Aid Trust' as a case study.

The process of developing this activity

The Student Representative Council (SRC), having noted the financial crisis facing the university, raised an amount of R200,000 (US$39,000 at today's rate) which was used to set up the trust. The SRC decided to head-hunt members of the community with sufficiently high profile and who were former students of the University of the North, to run the fund for it. The trustees were also selected because of their specialities, amongst them medical doctors, advocates, judges, business people, politicians, consultants, etc.

The trustees then established sub-committees which were to develop a trust-deed, the administrative procedures and guidelines, the fund-raising strategy document and the criteria for the selection of students.

The trustees also appointed the chairperson, the deputy chairperson, the treasurer as well as the secretary amongst its members who were to be responsible for the management of the trust between meetings. The various trust members with skills in different areas were mandated to develop this document; thus no costs were incurred in the process.

After the trustees had developed the deed-of-trust document, the trust was registered and launched on 31 August 1996. Most prominent alumni of the university and people from 'big business' were invited to the launch and a fund-raising dinner was held where individuals and companies made pledges and some made donations. Since then, the trust has opened an investment account where funds have been deposited in order for them to accumulate interest. Furthermore, in order to reduce administrative costs, the trust decided to transfer some of its administrative functions to the university. While the trust is a project of the university, and the SRC in particular, it is a legal body in its own right.

Management structure

The trust is managed by a 15-member board of trustees, which meets at least six times per annum. The trust has an executive committee of four people responsible for the day-to-day running of the trust. In order to make sure that all administrative duties are carried out, the trust then appointed the university's Financial Aid Office as its operational agency responsible for arranging meetings, distribution of application forms for financial assistance, etc.

Fund-raising strategy

The Fund-raising Strategy document outlines the following fund-raising projects to be undertaken by the trust (some of these have already been undertaken since the inception of the trust), in order to generate income:

- target students and request them to contribute a levy to be determined by the SRC;
- target staff members of the university and request them to sign 'stop orders' for a nominal fee per month;
- target the influential alumni in private business for their support;
- target all alumni of the university to contribute a monthly nominal fee;

- hold fund-raising dinners in different provinces of South Africa to be attended by 'big business' and alumni;
- hold fund-raising raffles – currently the trust is busy with a car raffle after it received a car donation from a catering company;
- request donations from 'big business', etc.;
- music festivals, etc.

Amount generated

In its first year of operation, the trust contributed an amount of R500,000 (US$97,100 at today's rate), mainly from donations by alumni and 'big business'. The trust still expects to receive an amount of R200,000 (US$39,000) in pledges by 31 August 1998.

Apart from these projects the trust will be embarking on other fund-raising events, with the hope of reaching the target of R2,000,000 (US$390,100) by 31 December 1998.

The distribution of the surplus

The trust has already invited students to submit their applications for financial assistance for the 1998 academic year. The closing date for applications is 30 June 1998 and Trustees will make the selection in the period 27-31 August 1998.

Funds will be distributed as 50 per cent bursary (grant) and 50 per cent loan in order to create a revolving credit.

Question 2

The first problem experienced was how to establish a reliable database of the alumni of the University of the North since its inception. Linked to the above, the second major problem was how to sell the idea of the trust to these former students, especially given the fact that most of them had had bad experiences at the university as students under the apartheid conditions.

In order to overcome these difficulties, the trustees and the public relations office of the university convened an Alumni and Convocation meeting, during which they distributed forms to ex-students to complete and provide the university with their addresses and other necessary data.

National newspapers were also used to invite former students to contact the university, either by telephone or in writing, and provide the Convocants and Alumni office with their addresses.

The trustees – who, drawn from the alumni, are men and women of integrity who are playing a critical role in the transformation of society in South Africa and therefore are respected and trusted by the alumni and convocants of the university – were then requested to address and appeal to the alumni and convocants to support the university in general, and this project in particular.

The response of the alumni and convocants of the university is promising; however, it is still early days for us to say whether this project is a success or a failure. It is nevertheless important to indicate that it has the potential to become one of the most successful fund-raising projects for the university, given the fact that it has identified both the current student population of the university and former students as potential sources of revenue.

The other problem anticipated was the administrative/running costs, which were expected to be at about 10 per cent of the revenue generated. However, the trustees felt that the university already had personnel; thus most administrative duties were transferred to the university and running costs would therefore be kept at between 3 and 5 per cent.

Most other services that the trust required were provided by alumni specializing in those fields. Also, companies were approached to make donations.

Conclusion

The university, through its strategic plan exercise, has looked at the different income-generation projects outlined above and we are now embarking on a major fund-raising campaign aimed at raising R600,000,000 (US$1,170,000) over the next 12 months. The university believes that this is an achievable goal given our strengths and opportunities.

The fourth case study was prepared by the University of Mauritius. This case was selected because the design and implementation of the proposed University Consultancy Centre was thought to be a subject for an interesting discussion among course participants.

2.3.5 Income generation in the University of Mauritius

Universities all over the world are facing two major constraints, namely: *(i)* increasing demand for higher education; *(ii)* decreasing financial resources from the state.

A proposed university funding formula recommends as follows: state block grant (70 per cent); students and families (20 per cent); income generation (10 per cent).

The last element can be achieved by the following approaches: contract research; consultancies; study-abroad programmes; continuing education courses; commercial activities; fund raising; and alumni associations.

In the context of income generation, the University of Mauritius is involved in continuing education courses, commercial activities, and most importantly in contract research and consultancies, on which we will elaborate.

Question 1

The process of development of consultancy services at the University of Mauritius.

Initially, this activity was developed at the Faculty of Engineering by carrying out routine testing of materials for the construction industry. With experience, test results were analyzed and recommendations made especially in the geo-technical field. Consultancy services on an ad-hoc basis were then taken up in other faculties and consultancies have been carried out in the following fields:

Faculty of Agriculture:

- Development of protocols for crops of economic interest, with emphasis on commercial implications.
- Induced mutations and in-vitro culture of Anthurium Andreanum.

Faculty of Engineering:

- Sugar-cane wax extraction project.
- Air pollution monitoring programme.

Faculty of Law:

- Executive programme in marketing and finance and management.

Faculty of Science:

- Ecological restoration of highly degraded and threatened nature forests.

Faculty of Social Studies:

- Study on employment of women in the EPZ and humanities sector.
- Survey on public behaviour and attitude towards the environment.

Management structure

When two posts of pro-vice-chancellors were created in 1994, one of them was assigned the responsibility of fostering research and consultancy at the university.

The practice of consultancy work usually generates from individual staff members in the departments, through their interaction with industry. At other times, ministries and parastatal bodies have requested the university to carry out consultancy services or studies in a given sector for them. The university administration then directs the request to the relevant dean of faculty, who appoints a leader for the consultancy work. The consultancy team is set up with members from different departments (faculties if it is a multi-disciplinary one).

The basis for determining the price in respect of both consultancy and routine testing work is by adding 50 per cent overhead to direct costs, which include material, labour, stationery, etc.

In order to promote continued development of consultancy services, a senior specialist has recently been appointed for the setting up of the University Consultancy Centre on a sound footing, and to advise on various management and administrative matters.

Amount of generated income

During the last three years, consultancy work has generated an income of Rs 2.5 million (US$104,400 at today's rate).

The distribution is made as follows:

(a) routine testing: one-third (net income) to the university and two-thirds (net income) to academic and supporting staff;

(b) consultancy work: 40 per cent (net income) to the university and 60 per cent (net income) to the academic and supporting staff.

Use of generated income

As regards the university share, no criteria have yet been laid down for the use of generated income.

Question 2

('What problems did you encounter in the management of this activity – how were they overcome?')

The main problem encountered is that academic staff are not conversant with administrative/financial procedures. For example, they cannot quite understand

the delay in ordering materials or equipment which have to undergo quotation procedures.

No expansion of this activity has been noted over the past few years. Possibly, the sharing of income between the individual and the university could have demotivated other individual academics to get involved in consultancy work. It is also possible that academics are performing consultancy work privately.

The advice we can give to our professional colleagues on management of a similar activity are as follows:

There is a need for a Consultancy Unit on campus to deal with all aspects of consultancy services. Guidelines will thus be provided for several tasks:

(a) The streamlining of administrative procedures for consultancy work.

(b) A fair distribution of the income generated, which will devolve to the central administration, departments and individuals.

(c) Proper marketing of university facilities.

Once guidelines have been formulated, there is a need for the Consultancy Unit to popularize them across faculties, especially among young faculty members.

At the end of the online debate, a synthesis of all contributions and the subsequent discussion was prepared and forwarded to all participants.

2.3.6 Synthesis of the contributions and of the discussion

This synthesis of the online discussion period deals with the objectives of the discussion, the programmes adopted by the different universities, the problems encountered and how they have been overcome. The last section draws upon experiences not only from within the group, but also from outside, and will give some conditions for a successful income-generation programme.

I. Objectives

The objectives of the online discussion were:

1. To share the experiences among the universities in designing and implementing any income-generating activity a university may have introduced to face a financial crisis.

2. To encourage the participating universities to introduce such activities without affecting their academic objectives.

3. To encourage the participating universities to set up a network so that inter-learning among them could take place (taking advantage of electronic mail).

4 Thirteen of the fifteen initially selected universities contributed their experiences. Four of them were selected for the discussion. Fourteen sets of questions were put to the authors of these four cases. Twelve of them have been answered. Keeping in view the pressure of the tasks and the time constraint, the IIEP team is pleased with the rate of participation. Although we have closed the online discussion now, we expect that exchanges of experiences will continue and the spirit of co-operation will be ongoing. We are pleased to see already that some inter-university consultations/visits are being planned in that direction and that at least one of the universities in our group is at present designing a project proposal based on the experience outlined in one of the selected case studies.

II. The programmes

Although all the universities have recently started some form of income-generating activities in an organized way, some are more advanced and organized than others. The universities of Swaziland (UNISWA), Namibia (UNAM), Botswana (UOB), Lesotho (NUL), Malawi (UNIMA), North (UNORTH), and Zambia (UNZA) are still in the initial stage of development, whereas the University of Witwatersrand (WITS), Technikon Pretoria (TECHPTA), Technikon Peninsula (PENTECH), and the Universities of Mauritius (UOM), Orange Free State (OFS) and Eduardo Mondlane of Mozambique (UEM) are in a relatively better position.

Among the most important programmes dealt with in the 'mini case studies', Consultancy Services (at WITS, UOM, UNIMA, NUL, UEM, UNAM) appears to be the most common activity, followed by Training on a Cost-recovery Basis (at TECHPTA and OFS), Commercial Activities (at UOB and UNZA), Donations and Fund raising (at UNISWA and NUL) and the Renting of Facilities (at PENTECH). Training on a Cost-recovery Basis (direct and indirect costs) is also conducted by most of the universities undertaking consultancy services, although it is not the most important activity for them.

The provision of 'cost recovery' short-term training within the framework of extra-curricular activities, outside of regular hours, has increased the utilization of existing facilities, provided additional income to the staff and additional resources for developmental purposes.

Since most of the universities in the region are better equipped for training than research, there is more scope to introduce training courses in these universities than carrying out contract research. The renting of conference facilities, where they exist in good quality, is another activity which can be easily implemented.

Some of these programmes offer valuable insights and deserve special attention: the formula of WITS for costing the activities for their viability and its 'Professional Assistance Network' (WITSPAN), which ensures alumni and private-sector co-operation to assist academics to prepare, set up and run projects; UNORTH's involvement of students through its 'Student Representative Council' and its alumni for fund raising for its 'Student Financial Aid Trust' and organization of 'charity performances' for the same purpose; UNIMA's way of convincing the staff to share the income generated from consultancy services; UNAM's way of distributing the income among different partners within the university; UEM's attribution of special status to the Computer Centre (CIEUM) for income generation; and OFS's arrangement of giving a special award to the best performer.

Pricing of the activity varies from activity to activity and from institution to institution. In most cases the price has to cover full costs and, in the particular case of UNZA, a 30 per cent mark-up is added to the cost.

Several universities have provided details of the distribution of the income generated from the activity, which could be compared. The share of the central administration varies from nil (UEM and UNZA) to 50 per cent (UNIMA). The individual staff share varies from nil (UNZA) to 90 per cent in the case of NUL. Other parts are normally shared by faculties, departments and, in some cases, by a reserve fund for developmental purposes. In the past, in several universities, the entire income generated was taken by the individual staff. As has been indicated above, it is only recently that the universities are formalizing these activities.

III. Problems encountered

1. Since this is a new activity in many of the universities, the latter were not equipped with necessary managerial and entrepreneurial skills to run them (e.g. marketing, costing, quality assurance, salesmanship, handling competition, time-keeping, etc.), so the income generated was not up to expectations.
2. Universities undertaking contract research face the problem of lack of necessary equipment.
3. Since these activities do not benefit all staff in the same way, there is resistance from the non-beneficiaries.

4. Universities undertaking fund-raising activities suffer from lack of information on potential donors, especially the alumni. In one case 'lack of follow-up' has been cited as a reason for a programme 'to have gone into the doldrums'.
5. Lack of co-ordination between the central administration and the unit undertaking the activity.
6. Difficulty in arriving at a fair distribution system of the income generated.
7. In the case of hiring facilities as an income-generating activity, conflicts arise about the ownership and the purpose of the use of the facility between the department/faculty where the facility is located, and the central administration. The lack of availability of suitable hours is another problem for this activity.
8. One university has raised an important problem, i.e. the conflict in the university's role as the 'missionary', on the one hand, and 'mercenary' on the other.
9. Other problems cited are: heavy workload on the staff, difficulty in striking a balance between the income-generating activity and career-promoting professional tasks for the staff, lack of accountability, lack of communication among the different partners, etc.

IV. The ways some of the problems were overcome: some hints for strategies

1. WITS articulated market concepts, publicized activities, and emphasized communication, accessibility of the head of programme and the staff and opened the programme to academic, technical and support staff.
2. TECHPTA introduced management information systems, installed auditing procedures, and developed administrative competence.
3. UNIMA incorporated equipment cost in the donor-sponsored research contracts. To avoid resistance from the non-beneficiaries, PENTECH convinced the latter of the disadvantages they would face without the activity, and the benefits the entire institution would gain from the activity.
4. UNIMA, on the distribution of income, advised that "For an initiative like this to be successful, there is need to make sure that you instil a feeling of ownership of the income by the departments through perceived fairness in the sharing scheme".
5. NUL and UNORTH have engaged in updating the list of alumni for fund raising.

6. PENTECH negotiated with the Dean of the faculty and convinced him of the benefit of the hiring facility to the faculty.
7. WITS is developing a workload model to handle the problem of conflicting working hours between income-generating activities and the activities related to the university's principal mission.
8. UEM has created a 'Groupo de Gestgao' (Management Group), a project team and a management team to handle the technical and management problem it is facing.
9. Most of the universities are now setting up units to administer their income-generating activities.
10. Finally, the institutions are appreciating the need for training in managerial skills.

One could observe the richness of the experiences of the universities and their suggestions. The IIEP course team expects that the spirit of inter-learning will be maintained and a network will be established from this course to share experiences on not only managing income-generating activities, but all aspects of institutional resource management. This is one of the most important means of handling the financial crisis facing the higher education systems around the world in general, and in the Southern African region in particular.

We shall end the synthesis by giving some examples of conditions which should achieve successful income generation in an institution of higher education.

V. Conditions for a successful income-generation programme[2]

1. Income-generation audit: before starting a programme the institution should examine its strengths and opportunities for the programme in terms of both physical and human resources. It should identify the selling points, use them and ensure that each individual staff member is examined for his/her skills which are not obvious from the job description.
2. Market research: undertake external market research. Try to play the 'local card'.
3. Institutional strategy: after identifying the institutional strength and the potential market for the services/products, an institutional strategy should be developed. The institution must have the commitment of all relevant

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[2] This section is based on: Warner, D. and C. Leonard: *The Income-generation Handbook*, second edition, pp. 8-12, The Society for Research into Higher Education and Open University Press, England, 1997. This book is recommended for further reading.

actors at all levels, especially the senior (the vice-chancellor/pro-vice-chancellors) and the middle management (deans of faculty/heads of departments) for the programme.

4. Enterprise culture: the institution in general, and the basic unit in particular, must develop an enterprise culture. This would require unreserved management commitment, strong institutional loyalty and internalization of the institution's mission, excellent internal communication both up and down the institution, good staff development and a fair reward system.

5. High institutional profile: the institution requires a good professional public relations policy. This would include development of a visual identity, media relations, publicity materials, a welcoming physical environment and good customer care. An institution of higher education in the past hardly cared for good public relations.

6. Facilitating financial procedures and practices: this would include fair distribution of rewards (monetary and non-monetary, e.g. better working conditions, opportunities for travel, etc.) focusing on those who do the actual delivery, minimum bureaucracy with clear, concise and intelligible financial procedures and fast delivery of expenses and fees.

7. Commitment to risk-taking: the institution should not expect to be successful in every case. The beginner institutions should start with small, easily achieved projects.

8. Correct delivery structures: the institution should find out the most suitable mechanism to carry out an income-generating activity: a centralized consultancy unit (recommended by most institutions of our group), or an autonomous centre/department (UNZA, UEM).

2.4 Module 3. Financial management in higher education: trends and international experiences

This module introduced participants to trends in financial management with which participants are confronted all over the world. As a course assignment, participants were invited to reflect on the following items: *(i)* if they had experienced similar trends in their institutional environments, *(ii)* which of the described examples of reform had most relevance to their particular situation, and *(iii)* what strategies presented in the module had most relevance to them. Below follows the synthesis of responses.

2.4.1 Question 1: Major trends in the financial management of higher education institutions in your country in recent years

1. Most institutions confirm the basic trends of their external environment mentioned already in earlier stages of the course, i.e. an increased social demand for higher education, stagnating or diminishing resources (at least in terms of financial allocation per student) and increasing requests for accountability. In most cases, institutions report that student numbers are increasing, in line with government guidelines. This is, however, not the trend everywhere (the exception is Malawi, which mentions decreasing enrolments against increased demand for places).

2. In addition to these general trends, Eduardo Mondlane mentions an important inflation rate which has eroded the salaries over the past ten years (in 1991 an assistant professor's salary was about US$830, whereas in 1996 the same professor earned US$407). One can easily imagine the impact of such an inflation rate on the university's capacity to purchase imported goods.

3. The National University of Lesotho mentions that it is currently at the end of a structural adjustment programme which entails a freeze in the real-terms grant and the necessity to revisit some of the university's non-academic operations, with a view to either closing them down or outsourcing these services. This is consistent with a more general current trend in higher education which obliges institutions to concentrate on their core activities, i.e. teaching, research and academic services to the community.

4. It also appears that in recent years planning has begun to occupy a more important place on higher education policy agendas. Many institutions are currently being requested to strengthen their planning activities. In South Africa, for instance, institutions are now invited to prepare a number of planning documents on expected student numbers, quality assurance programmes, facilities, etc., together with three-year rolling plans (Orange Free State University, Technikon Peninsula). These governmental requirements entail the strengthening of all planning activities, including financial planning at the institutional level. The University of Malawi is envisaging a medium-term planning exercise. In Botswana, planning the development of the university has traditionally been part of the overall National Development Plans.

5. In many countries worldwide (including, for example, the United Kingdom and France), there is now a trend to develop guidelines (or norms) for the costing of institutional activities (e.g. student cost by discipline and level of

study). Similarly, some institutions in the group are developing cost-allocation models to enable them to see with greater accuracy the cost of a particular course, with a view to determining its long-term viability and to re-focus resources into the areas which will generate optimal returns in line with strategic objectives (Technikon Peninsula). Institutions attempt to attribute costs, wherever possible, to service departments, with a view to comparing performance and costs with external providers. At Technikon Pretoria, academic departments are free to purchase services from sources external to the institution; this is in line with governmental policy to increase market pressure, which is perceived as a strategy to increase overall efficiency.

6. In terms of internal evolution, the devolution of financial responsibility to basic units is one of the more recent trends in the financial management of participating institutions. Witwatersrand, for instance, mentions that it allocates one-line faculty budgets to allow deans more control over the allocation of resources (including personnel) within their faculties. At the National University of Lesotho, allocations for expense budget-line items are wholly under the control of departments, inasmuch as the expenditure follows the prescribed budget-line item. Each faculty has an Assistant Registrar, whose main duty is to oversee the finances. When there are insufficient resources, as mentioned by the University of Zambia, a situation might arise where basic units have to request resources from the central administration of the university, in order to check the availability of funds.

7. There is also a clear trend, within all participating institutions, towards the implementation of income-generating activities. As mentioned earlier, the development of such activities depends widely on the economic environment and the internal potential for income generation, but also on an administrative framework which can be conducive or not to developing such activities. One university of the group mentions an increase in income generated is met with cuts in the government grant; in such a situation, there is no incentive whatsoever for an institution to develop its income. In the United Kingdom, for instance, as a mechanism to increase market forces, generated income is used as a performance indicator by the government, leading to increased allocation of public funds.

8. As a consequence of the above-mentioned trends, the functions of financial management tend to become more complex at the institutional level. If in the past they were 'control orientated' (i.e. protecting the institution from improper use of funds), they are currently more geared towards financial planning (if planning is a new or already common practice), income

generation (including the development of structures for the development of an entrepreneurial thinking in basic units), financial monitoring and the development of appropriate indicators, management of cash flows (in order to yield the best benefit from any cash reserve), enhanced accounting support to operating units, etc.

2.4.2 *Question 2: Which examples described in the module have most relevance for your own country and institution?*

1. Many institutions of the group, notably the institutions from South Africa, perceive themselves as belonging to the group of self-regulated institutions. They see similarities of their institution and its environment with the case examples from the United Kingdom, USA, the Netherlands and Israel. Technikon Pretoria (presented hereafter for illustrative purposes) presents the following institutional strategies in line with the case examples drawn from the USA.

(a) Adoption of a cost-management strategy:

- clarification of mission and strategy and improving the link between strategic planning and the budget;
- development of a modelling database that includes all income, costs and calculated efficiency indicators;
- faculties choose their own profitability solutions from a range of solutions of cost reduction and augmentation of income;
- incentives built into the budget-control process rewarding economical behaviour by the transfer of certain budget savings to the following budget period.

(b) Enhanced accounting support to operating units:

- improving the accounting-system support to operating units by the implementation of an integrated computer system;
- collaborative development and implementation of accounting framework, management reports and leading indicators at operational level;
- training and ongoing support of operational staff by the provision of an easily accessible 'help-file' containing business rules, guidelines and accounting procedures;
- devolution of decision-making and budget control to operating units by optimizing systems control in lieu of paper trail;

- creating a human interface to the technicalities of the accounting systems by linking business units to specified accounting/business advisers. The aim is to improve the general support and customer care to business unit managers.

2. Most other institutions indicate that they are moving (sometimes slowly) in the direction of self-regulation. Their situation varies according to the mechanism through which budget requests are prepared, through which they receive funds from government, the way they allocate these funds internally and the flexibility they have in the use of governmental and extra-budgetary resources.

   Most institutions now start the process of budget preparation in a decentralized manner, requesting basic units to formulate departmental draft budgets. These drafts are integrated and consolidated most often by a Committee of the University Council. In some cases, however, it is still the bursar at the central level who formulates the draft budget.

   Many, but not all, institutions receive a block grant from government which is normally based on input criteria such as FTE students (sometimes including output criteria such as graduates, as has been the case in South Africa until now). This block grant might be supplemented by special-purpose funds (intended but not yet implemented in South Africa), for the implementation of desirable projects. In other cases, the previous year's budget allocation is simply adjusted for inflation and staff movements. This block grant is allocated to institutions through monthly instalments (Lesotho for instance) or at less frequent intervals. The University of Eduardo Mondlane receives funds in two slices; this poses problems and causes shortages in the treasury of the university.

   With regard to internal resource allocation, some institutions allocate lump sums to operating units (Witwatersrand); others, such as the University of Malawi, allocate the grant to basic units through a line-item budget. Technikon Pretoria reports on its intention to adopt a project approach for planning and executing operational activities for smoothing out cross-functional liaison that may lead to better resource utilization. Technikon Peninsula has earmarked funds for the attainment of specific institutional and departmental strategic objectives, in the same way that the government is currently intending to do.

   Concerning the issue of flexibility in the use of resources, many institutions in our group are not allowed to carry over funds from one year to the other

and as such there is no incentive for a frugal use of funds. Also, as already mentioned above, at least one university reports that it has to return surpluses generated through commercial activities to the treasury. Unless such obstacles are removed, there is indeed no incentive for institutions to become entrepreneurial.

2.4.3 Question 3: Proposed strategies most relevant for your own institution

1. The following strategies are highlighted by institutions:

- Those institutions which are still operating, at least partially, in a constraining administrative framework (most institutions to varying degrees outside South Africa), mention the need for increased flexibility in the internal use of resources. Several institutions (for instance Namibia) also mention the need to increase cost-recovery measures and make families contribute to the cost of education.
- The introduction of a student loan system appears to be promising. However, such a system can only yield financial benefits in the long run and the rate of recovery is often rather low if there is no reliable national information system which would allow the tracing of graduates.
- Several institutions mention the need to strengthen financial planning at the institutional level. Since governments increasingly tend to request institutions to develop strategic plans, some of which have to be revised on a yearly basis, there seems to be more need for a better framework for financial planning at the institutional level.

2. With regard to institutional strategies, the following strategies have been emphasized:

- Nearly all institutions mention that income-generating activities are high on their agendas. The nature of each activity depends of course on the potential of each institution (see the previous assignment).
- The same is true with regard to the issue of reducing costs and increasing efficiency. Here again, information is a crucial ingredient and detailed cost analysis is a necessary precondition. In several countries (mentioned particularly by the institutions in South Africa), there are initiatives under way to establish a modelling base for costs, which will lead to the development of guidelines and norms for costing. Also, several institutions

(e.g. Technikon Pretoria) mention that they are in the process of developing such guidelines for their institutions, often with a view to comparing the cost of a service provided internally with that of an external service. When budgets are totally devolved (Technikon Pretoria and Witwatersrand), faculties are expected to become cost-conscious and to purchase services from whatever provider they prefer. Outsourcing of non-academic services is generally mentioned as another means to enhance cost-effectiveness. The University of Namibia mentions that a close look at student/staff ratios appears to be a promising strategy to make major gains in efficiency. Both the University of the Orange Free State and the University of the North are currently considering to merge their existing number of faculties into a smaller number, with a view to decreasing administrative overheads.

Most institutions also agree that an appropriate MIS and staff training is essential to comply with new financial management functions. If operational financial management finds itself increasingly decentralized to basic units, there is growing need for a regulatory and supportive approach to be adopted by central-level financial management teams.

2.5 Module 4. Financial management in higher education: exercise

Module 4 of the course consisted of a problem-solving exercise. A hypothetical university called Erehwon is confronted with a new governmental policy aimed at increasing student intakes and diminishing unit costs. If the university does not take any action, it will find itself confronted in a five-year period with a major budget deficit. The participants' task was to reduce the budgetary deficit of Erehwon University from $5.8 million to $2 million. Erehwon is the country's leading university, whose comparative advantage lies in the strength of its research activities and the quality of its teaching, in particular in medicine and science and technology. Participants were invited to design a strategy for Erehwon which would not jeopardize these particular strengths, but which would, on the contrary, build on them.

The exercise consists more particularly of two components:

- a *manual exercise*, which gives participants an opportunity to acquaint themselves with the logical steps of an underlying planning model by making a limited number of calculations;
- a *computerized simulation exercise* based on the above-mentioned planning model containing the scenario for Erehwon University with the $5.8 million deficit; the exercise invites participants to build an alternative scenario modifying those cost factors, built into the planning model, which would allow to reduce the deficit to $2 million. In the following section, we will present a synthesis of submitted assignments containing proposed measures of cost saving and income generation.

2.5.1 Synthesis of submitted assignments

The objectives of Module 4 were for the participants to explore alternative scenarios to reduce the financial deficit of a hypothetical university facing bankruptcy.

The exercise:

In the process of exploring the scenarios, some groups examined the functioning of the institution both from the pedagogical and administrative points of view, identified its strengths and weaknesses, and its opportunities and threats. Some groups carried out a sensitivity analysis with a selected number of decision-making parameters to examine the consequences of a particular decision on the financial situation. Some groups remained quite modest and conservative and explored only a few alternatives – others were quite bold and tried out a large number of alternatives. The exercise called for what is today increasingly necessary in institutional management: very strong collaboration between academic and managerial staff leading to the integration of the managerial and academic functions. While formulating the financial requirements, the manager is being required to examine a number of factors: the popularity of a discipline; the required hours per student in different disciplines to obtain a degree; the contact hours affordable; class size and its impact on quality; alternative staffing ratios; different ways to optimize overhead costs; and the introduction of feasible income-generating activities to reduce the state burden. The tasks call for diversified skills far beyond what a traditional financial manager in an institution of higher education is supposed to possess.

Even then, the exercise had to be simplified for pedagogical reasons. Real life is more complex than even our model could possibly capture. The model only gives some directions and indications and provides a basis for reflection, analysis and decision.

Results:

Although some may not have used any of the three income-generation programmes, and some may have used more than one, the groups taken together used all three programmes mentioned in the exercise: tuition, research income, and other income (including commercial activities and extra-curricular academic programmes run on a cost-recovery basis). Research income was cited by five of the universities, tuition and other income by four each. As one group has said, introducing a tuition fee and increasing the income multiplier could have easily eliminated the deficit, but that was not its approach. One had to be realistic, as almost all the groups had been. None had suggested a reduction in enrolment. In the individual comments to each group on income generation, the precautions have been cited and the preconditions specified.

For cost reduction, adjustment of the staffing ratio (increase in the number of professors and researchers, indirectly generating research income; decrease in non-technical support staff) and reduction of non-staff costs were cited by five universities each, increase in contact hours and class size were cited by four each and reduction of average salary and adjustment of admission were cited by two each. Here again (as with income generation), the precautions were indicated in the comments to each group, as well as the preconditions for success.

While reducing the deficit, each group kept the quality level within an acceptable range.

Following different paths, groups reached the same goal. Definitely, the strategies in real life would take into account the socio-economic and cultural context of the university. The alternatives provided by different groups give a rich source for decision-making. A Table is attached providing a checklist of actions taken and the results in deficit reduction.

2.5.2 Concluding phase: final round-table discussion

The last phase of the distance education course consisted of a final round-table discussion. Participants were supposed to meet in groups and prepare a statement on at least three suggested strategies through which the

financial management could be improved in their institution. Group statements were transmitted to all other institutions and other teams were then invited to send questions or to comment on at least two other statements.

We give below an example of such an exchange of messages on the strategies for improvement envisaged by the Technikon Peninsula in South Africa.

2.5.3 Contribution from Technikon Peninsula, South Africa

Budget allocation

The implementation of budget units and distribution of income to them can give more autonomy to the different units in the running of their departments' finances. The institution is in the process of looking at the cost allocation on the basis of the calculation of fees, allocating budgets, etc. Incentives in the form of additional funding, over and above the allocated funds, should be created for budget units for growth in student numbers (especially in science and technology fields).

The implementation of a three-year budget rolling plan must be introduced that will in the end coincide with the government's plan for higher education institutions. This will enable faculties to do more long-term planning.

Integrated systems

We have a wide variety of systems for the different functions, e.g. Payroll, Personnel, General ledger, etc. In order to streamline the function of financial management, we will be implementing a fully-integrated Tertiary System that will cater for online updated information. This will have the advantage of making more informed financial decisions.

Visibility and accessibility

At present, our institution is situated in an area that is difficult to access. New roads that will directly pass the campus will give it greater visibility and improve accessibility to the institution. This will hopefully improve the image of the institution, attract more students, etc.

Assets

The control over movable assets has been highly problematic in the past. It has also been difficult to make staff accountable for the assets under their jurisdiction.

Module 4. Summary of the measures taken to reduce the deficit

University	Cost-reduction measures	Income-generating measures	Reduced deficit (in million $)
Botswana	Decrease in support/academic staff ratio in medicine and science and technology.	—	1.7
Lesotho	Decrease in overhead cost.	Increase in research income.	2.0
Malawi	Increase in class size in humanities. Adjustment of staffing ratios.	Introduction of programme-linked tuition fees.	2.1
Mauritius	Increase in contact hours and class size, decrease in cost of teaching materials per student hour.	Increase in research income through an increase in research staff and income multiplier.	2.0
Namibia	—	Introduction of tuition fees. Increase in other income.	2.0
North	Increased contact hours of academic staff.	Introduction of tuition fees.	2.0
Orange Free State	Increase in class size (by 5 per cent) leading to a reduction in the number of academic staff and thereby in support staff.	Introduction of programme-linked tuition fees.	2.1
Swaziland	Slower salary increases. Adjustment of lecturer/professor ratio and overhead costs.	Increase in research income through increased number of professors.	2.0

Module 4. continued

University	Cost-reduction measures	Income-generating measures	Reduced deficit (in million $)
Technikon Peninsula	Adjustment of undergraduate and graduate admission for science and technology and social sciences. Increase in contact hours for science and technology and decrease in social sciences and humanities. Increase in lecturer/ professor ratio in humanities, decrease in support/academic staff ratio in medicine and increase in science and technology, decrease in research staff for humanities, slower increase in salary for social sciences and humanities and decrease in overhead-cost multiplier for social science and humanities.	Increase in research staff in science and technology. Acceleration of the salary increase of research staff. Increase in research cost and research-income multipliers for science and technology and increase in research-income multipliers for medicine.	1.9
Technikon Pretoria	Increase in class size and contact hours of academic staff.	Increase in other income.	1.7
Eduardo Mondlane	Reduction of overhead costs.	Introduction of tuition fees. Increase of research and other incomes.	2.1
Witwatersrand	Reduction in graduate admissions in medicine and increase in undergraduate admissions in medicine. Increase in science and technology graduate admissions. Increase in undergraduate admissions in humanities. Decrease in research staff in social sciences and humanities.	Introduction of tuition fees for medicine. Increase in research and other income multipliers.	2.0
Zambia	Reduction in non-technical support/ academic staff ratio and overhead costs.	—	2.1

We are tightening up on our systems to ensure that our material assets correspond to our asset register.

Research

More financial resources should be invested in research projects and consultancy work. These research projects should be undertaken together with industries and the community. This will serve as a means to promote the institution to the outside communities. It will also be able to generate substantial income to the institution and staff members

Short courses

We need to investigate the possibility of moving part of our programmes, especially the short courses, closer to the central business district. This will make the technikon more visible and accessible to a larger part of the more privileged community. As historically disadvantaged institutions tend to put emphasis on serving the disadvantaged communities, they lose track of the income opportunities in the more lucrative market. Marketing the technikon in the advantaged community – to people who can afford to pay reasonable fees – will create an opportunity to subsidize the service provided to the disadvantaged community.

Outsourcing

We could investigate the possibility of outsourcing certain of the administrative and maintenance functions that could lead to savings.

Inter-institutional co-operation

Inter-institutional co-operation could eliminate unnecessary duplication in academic and administrative service provision. The possibility should be examined of jointly offering certain academic programmes with institutions in the region, sharing research facilities, etc. Academic programmes should be reviewed in terms of demand and viability.

The University of the Orange Free State made the following comments on this contribution.

2.5.4 *Comments on the above contribution from the University of the Orange Free State, South Africa*

Questions on the final round-table discussion statement of Technikon Peninsula, South Africa.

We have read your final round-table discussion statement and would like to pose the following questions/comments:

Budget allocation

We refer to your comment that "Incentives in the form of additional funding, over and above the allocated funds, should be created for budget units for growth in student numbers (especially in science and technology fields)". We would very much like to know what parameters are going to be used to determine the incentives, where are the additional funds going to come from, and why do you specifically target student numbers in science and technology fields?

Integrated systems

You state that you will be implementing a fully-integrated Tertiary System that will cater for online updated information. Could you please let us have more information on this system, e.g. is it a system that was purchased or written by your own IT department, etc.?

Assets

We have the same problem at our university in that staff members do not want to take responsibility for the assets under their jurisdiction. You state that you are tightening up on your systems to ensure that your material assets correspond to your asset register. How are you doing this, and how did you get staff members, especially academic staff, to accept the fact that they have to take responsibility for their assets?

Short courses

We like your idea of "Marketing the technikon in the advantaged community – to people who can afford to pay reasonable fees – will create an opportunity to subsidize the service provided to the disadvantaged community". Our only concern is that students in the advantaged community are doing lately what students from the disadvantaged community have been doing, and that is to not pay their accounts. Does your technikon experience this problem and how do you address this?

Outsourcing

It is interesting to note that you are considering outsourcing certain administrative functions. May we ask which functions and how?.

Here is the reply from the Technikon Peninsula to the University of the Orange Free State.

2.5.5 Reply from Technikon Peninsula to the University of the Orange Free State

Response to questions from the University of the Orange Free State

Budget allocations

The parameters have not yet been determined. We could probably top slice an amount of money from the overall budget and channel the funds to these fields, as it is vital for the overall growth in the country's economy, as well as the improved funding that will be received from the state.

Integrated system

We are considering purchasing the ITS system from an outside vendor.

Assets

We hope to make each staff member accountable for assets in their offices. The problem that we encounter is in the general-purpose classrooms.

Short courses

We have very few students from the advantaged community and have not experienced problems regarding non-payment.

Outsourcing

We may consider outsourcing debt collecting, security services, gardening services, food services, cleaning services and the maintenance function, etc.

3. Evaluation of the distance education course

The last item of the course was an in-depth evaluation. Such evaluation is particularly important, since the instructional design of this course represents a pilot experience for the IIEP. Evaluation was made of the instructional design and the communication with the IIEP and other course teams. An open questionnaire was sent to all participants with a view to collecting as much information as possible on their perceptions of the course content and organization. Fifty-three of the 59 individual participants in the 13 universities that continued to the end of the course, submitted completed evaluation forms. This excellent rate of response was due to close follow-up and multiple reminders, and permitted IIEP to have quite comprehensive input on the functioning of the course from the perspective of the participants.

3.1 Participants' expectations

Given the diversity of their positions in the institution, it is not surprising that participants came to the course with a wide range of expectations.

The largest number, about a third, wanted an overview of the problems currently facing universities worldwide and the strategies being used to solve them. Specific techniques and quantitative and practical approaches were of interest to about one quarter. Ten per cent mentioned the importance to them of sharing experiences and learning from others. Individual replies included performance indicators, decision-making, policy choices and financial implications, income generation and improving entrepreneurial thinking.

Almost half of the respondents said that their initial expectations of the course were met fully. About a quarter did not comment on whether their expectations had been met. Some said their expectations were partially met (8) and some not met (5).

3.2 Course organization and schedule

Most respondents (48) found the course – the individual reading and tasks, the group meetings and tasks and the IIEP comments and syntheses on the work submitted – to be well organized. Respondents commented on the quality of the reading material, the benefit from the group discussions, the advantage of a good co-ordinator and the enrichment provided by the comments from IIEP. Nine respondents found that the time allowed for performing the tasks was too tight.

The course was designed to require about five hours of work per week and the vice-chancellors had been asked to ensure the release time of the participants. Half the respondents reported spending between five and ten hours per week. About a third spent less than five hours, while about a fifth reported working between 10 and 16 hours per week.

Participants were asked specifically whether the schedule allowed enough time for the activities and tasks. Two-thirds stated that the time was adequate, but almost half of these (15) qualified their responses. Twelve of them referred to work pressures, one to communication problems and one to the fact that more time would have allowed more discussion in the group setting. The respondents from one institution recommended one more week for the study of each module. However, another respondent commented positively on the tight time-frame, noting that it "allowed enough pressure on participants to meet deadlines".

The timing of the course within the academic year was deemed to be appropriate by two-thirds of the respondents. One third noted that the timing was not convenient; for example, in one institution, it overlapped with the opening of the institution, while in another it coincided with the closing of the accounts for the academic year. What was interesting was that individual responses varied within the institutions, sometimes with half of the respondents finding the time appropriate and half not. This may have related to the different responsibilities of the participants. Overall, there was no consensus to assist future course planning.

A guide was prepared for the course for both the participants and the co-ordinator. It was intended to help overcome some of the problems of distance learning by giving a clear overview of how the course was organized and how it would proceed during the three months. When asked whether the information served as an adequate introduction to the course, all respondents replied positively.

3.3 Course design

3.3.1 Individual reading and reflection

Respondents were asked to comment on whether the course materials provided, adequately supported the course. The response was strongly positive.

> *"The course materials included information that one would not normally find in textbooks."*
>
> *"Well-integrated materials provided adequate support and a lot of new ideas that the group could discuss. The reflection on the problems and ideas was a key objective of the course and the many examples and case studies supported this objective."*

However, one person commented that they were too brief:

> *"I wished they contained more detail in order that they would be used as reference material in the future."*

In general, participants stated that the tasks assigned in the course contributed to the process of reflection, but gave an interesting variety of reasons.

> *"The various tasks called for serious and continual reflection. This was necessary to make meaningful personal notes for presentation to the group. It was also necessary to reflect on the group response and on responses from other institutions."*

"It was very interesting to see some of the things we had thought of or attempted were in the right direction."

"The tasks helped bridge the gap between theory and practice."

"The course was planned at an opportune time. Now we are designing a new internal process of reflection in different areas."

"We are in a planning mode at the moment and the course stimulated useful discussion. We have used the output of some of these discussions in our three-year rolling plans."

3.3.2 Group work

Almost everyone (51) found the group work to be an important part of the course. The process was described as developing team spirit and providing an opportunity to brainstorm and hear the ideas and opinions of others. A disadvantage of group work was mentioned by only one participant – the fact that there will always be one or two members who are slow in carrying out their responsibilities and this can affect the work of the whole group.

In terms of the manner of organizing the group work, five of the institutions divided the responsibilities among the team members, six worked on the tasks together, while two used both approaches. The following comment relates to the importance of doing the work individually and then coming together for group discussion, as was specified in the course organization.

"Initially we divided the reading and preparation, combining the inputs during our meeting. Then we realized that individual parallel preparation and prepared submissions to tasks ensured that everybody could contribute to the full spectrum of the discussion. We then spent the time during our meeting to gain consensus on the varied views."

3.3.3 Interaction with the IIEP course team

Over 90 per cent of the respondents reported that they found there was sufficient interaction with IIEP. The speed of the responses and the helpfulness of the feedback were noted in about 20 per cent of these responses.

Three-quarters of the respondents commented that it would have been useful to see all responses from all institutions, in addition to the synopses prepared by IIEP. Of those who did not want to see all the material, several noted that there would have been too much material to read, although the submissions could have been useful for future reference.

3.3.4 Interaction with other institutions

Fifty per cent of the respondents felt that there had not been enough interaction with the groups of participants in the other institutions. Nine cited time constraints as an obstacle and six cited technical communication problems. Forty per cent of the respondents felt that there had been adequate interaction.

3.4 Course content

3.4.1 Relation of course to professional goals

Most of the participants (50) found that the course related to their professional goals, with some making specific remarks.

> *"I work in the Finance Department of this institution, which is more involved with the financial management of the scarce resources – we depend largely on government subvention. I have only worked here for three years now, and the course has convinced me there is a lot that can be achieved, which can be very challenging, as opposed to routine work."*

> *"I am not employed in the finance section of the university. However, as a Director of a centre I have to get accustomed to the financial implications of decisions taken. The course helped to broaden my knowledge of financial management and exposed me to various strategies that can be put into practice."*

Three respondents replied negatively – one because of the technical problems encountered during the course, one expected the course would contribute to his professional goals in the near future, and the third found the experience very rewarding, nonetheless.

3.4.2 Additional topics

Asked whether there were other topics they would have liked to cover in the course, more than half of the respondents replied that there were not. There was great diversity among those respondents who suggested additional topics, with no one topic mentioned more than once. Suggestions included downsizing, investment strategies, fund raising, management of change, financial management information systems, approaches to costing per student, and financial reporting. Six respondents would have liked to cover the modules on space management and four would have liked staff management.

3.5 Communications

3.5.1 E-mail communication

Participants were asked whether they found e-mail an adequate way to communicate with the course team and the other participants. This was an extremely important question, given the dependence of the course on this communication method, and concern about the robustness of the technology in the region and the comfort level of the participants with its use.

The responses were positive with the exception of four respondents who pointed to technical problems. It is interesting to note that seven other individuals responded positively while noting that there were some technical

problems. For these respondents the problems did not seem to be perceived as a barrier to their effective participation in the course.

Commenting on what they saw as positive in the e-mail-based interaction, a number of respondents noted that it was fast (12), efficient/ effective (7) and inexpensive (7). One respondent suggested that a fax back-up system might be helpful.

3.5.2 Technical problems and support in the institutions

Three of the institutions reported no problems with communication. In one institution the e-mail service was interrupted for two weeks while the university changed its file server. One institution lost its service due to a power failure, another due to telephone lines being down.

Two institutions reported software incompatibility problems. Several respondents (4) mentioned problems associated with their own learning to use e-mail.

In all, the technical problems did not appear to undermine the commitment of the participants to the course and they were given assistance and moral support from the IIEP team member responsible for communications.

Most of the respondents indicated that they had not needed much support from the technical staff of the university. Problems noted included needing help after the server went down, needing a virus scanner installed after receiving files with viruses, and needing help with a corrupted address, sending an attached file and trying to retrieve information.

3.6 Distance education as a method of study

Since this was a pilot activity with respect to the delivery mode, the participants were asked to state their likes and dislikes related to distance learning. There was a diversity in the replies, but several themes emerged.

Most frequently cited as appreciated was the opportunity to study without leaving work or home (8), followed by the opportunity to participate in a quality course at little expense (6). The chance to work with colleagues and to share ideas (5) and flexibility (2) were also mentioned.

> *"I liked the fact that due to the advancement of communications network people around the world can learn together as if they were in one class."*
>
> *"The mode of learning in this course opened up new ideas which as a university we can use in our adult distance education centres to offer tuition through the Internet".*

The aspect of distance learning that respondents most disliked concerned problems of time constraints and scheduling (10). It is clear that balancing work and study is difficult. The second most frequent comment was the lack of face-to-face contact with the other participants and the course co-ordinator (9), even though one respondent noted that the group work and the round-table discussions did help to overcome the problem.

3.7 General comments

Participants were asked to comment on the strengths and weaknesses of the course and to suggest improvements. There was considerable diversity among the responses, with some respondents giving multiple comments and some none; however, the comments will be useful to IIEP for the future planning of similar activities.

The strengths cited included the following:

- the speed of e-mail as a communications vehicle,
- the concise, clear and comprehensive materials,
- the fact that a group of individuals was able to participate and that it was relatively inexpensive for the institution,

- the group discussions, the sharing of experiences and the IIEP comments,
- the planning and organization of the course.

The weaknesses identified included the following:

- the time pressures associated with studying while remaining on the job,
- the lack of face-to-face contact,
- the fact that there was no examination or evaluation procedure,
- limited feedback on other institutions' submissions.

Except for several respondents who proposed a face-to-face meeting in Paris, no suggestions were made to improve the course.

3.8 Future directions

3.8.1 Strengthened institutional capacity building

In looking to the future, participants were asked whether they felt that the course had contributed to strengthening institutional capacity in strategic financial management.

The responses were resoundingly positive, with only four respondents citing reservations. For several institutions, the timing of the course was particularly appropriate, in one case due to an institutional reorganization and in another due to a period of institutional change. The importance of knowing what was happening in other institutions and what they were doing was noted – to avoid seeing one's problems as unique and feeling alone in facing them, and to avoid 're-inventing the wheel'. One institution noted that as an outcome of the course, it intended to set up planning and management costs units, while another noted that it had triggered a self-assessment of the financial processes of the institution.

The reservations stated in two institutions related to the need to have top management involved and responsive to recommendations, and the information more widely shared. In another institution, it was suggested that it would have been helpful to have included policy-makers and not just 'technicians'.

3.8.2 Keeping in touch

Given the importance attached to the sharing of experience in the IIEP learning philosophy, respondents were asked whether they wished to keep in touch with the other participants and how they would propose to do so. With two exceptions, the responses were strongly positive, leading one to deduce that the participants had felt not only part of their institutional team, but part of the larger group. This is an important finding, given the nature of distance education and the lack of face-to-face interaction.

There was a clearly stated desire to remain in contact to exchange information and benefit from the experiences of the others. Two thirds of the respondents felt that e-mail was an appropriate means to continue their interaction. Seven respondents suggested visits to one another. Several individuals suggested regular updating, such as an annual refresher course from IIEP. There were some individual suggestions for keeping in touch – sharing documents such as annual reports and vision plans, a workshop, the IIEP Newsletter and a Southern African Discussion Forum.

3.9 Final remarks

It is clear from the evaluation that the format of the distance education course was relatively successful in meeting the needs of the participants, and that it did achieve the objective of contributing to institutional capacity building.

Although some participants noted that they missed the opportunity for the informal exchange of information and the forming of professional friendships that are so often the outcome of meetings and workshops, they also recognized that the participation of the whole team in a workshop was

not feasible. It would have been too costly, both in terms of time and resources. In fact, the chance to work together as a team on issues, problems and tasks provided an occasion to explore together problems and potential solutions related to the challenging issue of financial management in the context of a structured activity.

In comparison to a traditional IIEP face-to-face workshop or intensive course, the approach used in this course has several advantages.

First, the distance-learning method allows a group of people from each institution to participate. This is a significant advantage when the objective is strengthening institutional capacity. The tasks and the written statements from the groups provided an opportunity for deeper reflection and insight, as well as a wider sharing of experiences.

Second, the significantly longer schedule means that there is more time for reflection on the course content and for interaction with others, sharing information and experiences among the participants.

Third, participants remain in their institutional setting, and are, therefore, able to apply directly the skills and competences acquired during the course. The members of the course team also benefit from the fact that they remain in their offices with ready access to the documentation and references that are often used to enhance their responses and comments.

Finally, most participants noted that they intended to remain in contact with one another through e-mail in order to continue the dialogue and the exchange of experiences initiated during the course. Their experience during the course allowed them to increase their ease in using this method of communication for professional interaction. They now have a powerful tool at their disposal for future problem solving.

The outcome of this course indicates that a carefully designed distance education course has the potential to offer an efficient and effective method to meet the ever-increasing demand from UNESCO Member States for the Institute's assistance in strengthening their national capacities

Appendix 1. List of participants

1. Botswana: University of Botswana		
1	Dr Shabani Ndzinge	Deputy Vice-Chancellor, Finance and Administration
2	Mr George Madelil Varkey	Deputy Bursar
3	Mr Mendel Ngoni Nlanda	Senior Assistant Bursar
4	Ms Helen M. Zobane	Senior Assistant Bursar
2. Lesotho: National University of Lesotho		
5	Mr John J. Sekoere	Deputy Bursar
6	Mr Matsobane Putsoa	Bursar
7	Mr Zakaria Masasa Liphoto	Senior Finance Officer
8	Ms Lebohang Julia Mabafokeng Letsapo	Finance Officer
9	Ms Anne 'Masefinela Mphuthing	Registrar
3. Malawi: University of Malawi		
10	Mr J.E. Chipeta	Registrar
11	Mr Yafet Amos Malunga	Acting Finance Officer
12	Mrs Margaret J.T. Longwe	Finance Officer
13	Mr Emmerson Stewart Kachala	Finance Officer
14	Mr Martin Chimoya	Acting Senior Assistant Registrar (Admissions)
4. Mauritius: University of Mauritius		
15	Mr C.P. Francois	Director, Centre for Distance Learning
16	Mr Bhoyroo Hurbungs	Senior Accounting Technician (i/c payroll, stores and purchasing)
17	Mr Ouma Shankar Ochit	Accountant
18	Mr Fazlet Bhatoo	Senior Accounting Technician (i/c of accounting section)

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5. Mozambique: University Eduardo Mondlane

19 Mr Avelino Isaaias Mondlane	Head, Administrative and Finance Department, CIUEM
20 Mr Daniel Clemente	Training Supervisor, Human Resources Directorate
21 Mr Manuel Matsinhe	Researcher (Head, Financial Management, Planning Office)
22 Ms Joana da Conceição Filipe	Responsible for financial and admin. matters, CEISA

6. Namibia: University of Namibia

23 Mr Clint Nicholson	Manager, Computer Centre
24 Mr Job Johannes Jansen	Financial Accountant
25 Ms Lorna Peyavali Ashipala	Assistant Accountant
26 Ms A.S. Katjita	Head, remuneration and benefits policies
27 Mr Lulu Immanuel Hoebeb	Strategic Planning Officer

7. South Africa: University of the North

28 Mr Delekile J. Klaas	Director, Financial Aid Office
29 Mr S.C. Makgoka	Assistant Registrar
30 Mr Roy Galloway	Deputy Registrar
31 Mr Iginatus Shimane Mogotsi	Principal Accountant
32 Ms Mapula O. Ramethare	Principal Administrative Officer, Student Accounts

8. South Africa: University of the Orange Free State

33 Mr Stanley Maeder Sansom	Deputy Director, Finance
34 Mr Arie Van Der Bijl	Director, Finance
35 Mr Johannes Frederik Bekker	Accountant
36 Ms Maria Petronella Richter	Accountant
37 Mr Petrus Jacobus Gerhardus Coetzer	Senior Accountant

9. South Africa: Technikon Peninsula

38 Mr Vernon William van der Linde	Head of Financial Administration

39 Mr Byron A. Stanfliet	Accountant
40 Mr Johnny Ralph Basson	Financial Controller
41 Mr David Keith Bleazard	Head, Strategic Planning and Management Information Services Department
42 Ms Lizeth Judith Adams	Head, Salaries

10. South Africa: Technikon Pretoria

43 Mr C.J. van Pletsen	Director, Financial Services
44 Mr J.R. Stander	Deputy Director
45 Mr G. du Toit	Senior Management Accountant
46 Mrs A.M.G. Grobbelaar	Senior Financial Accountant
47 Mr L.R. Ntsane	Financial Officer

11. South Africa: University of Witswatersrand

48 Professor Colin J. Wright	Special Adviser to the Vice-Chancellor/Strategic Planning
49 Mr Kevin McLoughlin	Manager, Management Information Unit
50 Mr Mike Lee	Financial Controller

12. Swaziland: University of Swaziland

51 Mr Salebona Sicelo Simelane	Senior Assistant Registrar
52 Ms Patience Ndabandaba	Assistant Registrar
53 Ms Margaret Lungile Mkhonta	Assistant Bursar
54 Mr Samuel Vika Mhlanga	Assistant Registrar

13. Zambia: The University of Zambia

55 Dr Geoffrey Lungwangwa	Director of Research and Graduate Studies
56 Mr Simon Chikuku	Senior Accountant (Student Finance)
57 Mr Robby Mabiza	Senior Accountant
58 Mr Charles Nyambe	Senior Accountant
59 Mr Hudson Unene	Acting Deputy Bursar

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Appendix 2. Course calendar

Introductory phase:	**Welcome and introduction to the course**
20 April – 7 May	Introduction of IIEP team and request for description of the institution and its challenges in financial management
7 May	*Group Response 1:* Group's e-mail institutional notes to IIEP

Module 1	**Institutional management in higher education: issues, trends and international experiences**
4-8 May	*Individual Task:* Read Module 1 and prepare individual response to the questions posed
11-13 May	*Group Task:* Meeting to discuss Module 1 and to prepare institutional response to the questions posed
14 May	*Group Response 2:* Group's e-mail institutional response to IIEP

Module 2	**Financial management in higher education: issues and approaches**
18-22 May	*Individual Task:* Read Module 2 and prepare individual response to the questions posed
25-28 May	*Group Task:* Meeting to discuss Module 2 and to prepare the input of the institution to the online debate on strategies for income generation and their consequences
28 May	*Group Response 3:* Group's e-mail contribution to the online debate to IIEP
1-5 June	*Group Task:* Online debate on income generation

Module 3	**Financial management in higher education: trends and international experiences**
8-12 June	*Individual Task:* Read Module 3 and prepare responses
15-18 June	*Group Task:* Meeting to review module and individual responses, and to prepare for institutional response
18 June	*Group Response 4:* Group's e-mail institutional response to IIEP

Module 4	**Financial management in higher education: exercise**
22-26 June	*Individual Task:* Do manual exercise of Module 4
29 June	*Group Task:* Meeting to discuss manual exercise
29 June – 3 July	*Individual Task:* Do computerized exercise of Module 4: build alternate scenarios for Erehwon University
6 July – 9 July	*Group Task:* Discuss individual scenarios and decide on a group scenario
9 July	*Group Response 5:* Group's e-mail one scenario and its rationale to IIEP

Concluding phase	**Final round table and evaluation of the course**
13-17 July	*Group Task:* Reflect on three strategies to improve financial management in your institution
16 July	*Group Response 6:* Group's e-mail institutional response to IIEP
20-24 July	*Group Task:* Final round-table discussion of strategies to improve financial management
27-29 July	*Individual Task:* Course evaluation
30 July	*Individual Task:* Participant's e-mail evaluation to IIEP

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The book

In spite of the steady growth in numbers of participants in IIEP training programmes over the years, demand has often exceeded the capacity of the Institute to provide face-to-face training. Recently, IIEP has launched a number of training activities through the distance education mode. Such an approach appears particularly suitable in the domain of institutional management since it provides a possibility to train teams of managers who would not be able to leave their institutions for a long period and who become collective agents of change.

This report focuses on the methodology and the content of a distance education course on strategic financial management organized by IIEP from May to July 1998 for 15 universities located in Southern Africa. The course used written support material, individual work on tasks, group work, feedback from the course instructors and interactive exchanges among participating universities as the basic elements of its instructional methods. Communication was organized through e-mail over the Internet.

The authors

Michaela Martin is a Programme Specialist at IIEP working on policy-making, planning and management of higher education institutions. She was the co-ordinator of the distance education course and participated in the teaching of the course.

Bikas C. Sanyal is Special Advisor to the Director General of UNESCO has been a long-standing senior staff member at IIEP specializing in the planning and management of higher education as well as on the linkage of education and work. He was one of the course instructors.

Susan d'Antoni is a Research Fellow at IIEP. She is a specialist in adult learning methodologies and instructional design of distance education. She was in charge of preparing the instructional design and the evaluation of the course.

John Hall is a member of the IIEP Council of Consultant Fellows. He was in charge of all technical issues related to communication throughout the course.

Working document

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